

## **15 KAR 1:040. Eligibility for insured student loans made directly by the corporation.**

RELATES TO: KRS 164A.040, 164A.050(2), 164A.060(1), (2), (4), 164A.065, 34 C.F.R. 668.32, 682.201, 20 U.S.C. 1078(a), 1078-2, 1078-3, 1091

STATUTORY AUTHORITY: KRS 164A.060(8)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 164A.040 and 164A.050(2) authorize the Kentucky Higher Education Student Loan Corporation to finance student loan operations in Kentucky. KRS 164A.060(1) empowers the corporation to make or participate in the making of insured student loans. KRS 164A.065 authorizes the corporation to exercise all of its powers in furtherance of making loans, including federal PLUS loans authorized by Section 428B of the federal Act (20 U.S.C. 1078-2) and federal consolidation loans authorized by Section 428C of the federal Act (20 U.S.C. 1078-3). This administrative regulation establishes the eligibility requirements and procedures for applying for an insured student loan made directly by the corporation.

Section 1. Definitions. (1) "Adverse credit history" means information available to the corporation that indicates that the applicant:

- (a) Is ninety (90) days or more delinquent in the repayment of a debt; or
- (b) Has been, within five (5) years preceding the date of any credit report on which the determination of adverse credit is based, the subject of a determination of default, foreclosure, repossession, tax lien, or wage garnishment for any debt or a write-off of any debt under the federal Act.
- (2) "Corporation" is defined by KRS 164A.020(3).
- (3) "Eligible borrower" is defined by 20 U.S.C. 1078-3(a)(3).
- (4) "Eligible institution" is defined by KRS 164A.020(4).
- (5) "Eligible student loans" is defined by 20 U.S.C. 1078-3(a)(4).
- (6) "Federal act" is defined by KRS 164A.020(6).
- (7) "Federal consolidation loan" means the loan program authorized by 20 U.S.C. 1078-3.
- (8) "Federal Family Educational Loan Program" or "FFELP" means the programs of insured student loans authorized by Part B of Title IV of the federal Act (20 U.S.C. 1071, et seq.) including federal consolidation loans, federal PLUS loans, and Robert T. Stafford federal student loans.
- (9) "Federal PLUS Loan" means the loan program authorized by 20 U.S.C. 1078-2.
- (10) "Guarantee agency" is defined by KRS 164A.020(7).
- (11) "Insured student loan" is defined by KRS 164A.020(9).
- (12) "Pell Grant" means the grant program authorized by 20 U.S.C. 1070a.
- (13) "Qualified student" is defined by KRS 164A.020(8).
- (14) "Reaffirmation" means the acknowledgement of the loan by the borrower in a legally binding manner and may include the borrower signing a new promissory note or repayment schedule, or making a payment on the loan.
- (15) "Robert T. Stafford Federal Student Loan" means the student loan program, consisting of subsidized and unsubsidized loans, authorized by 20 U.S.C. 1078 and 1078-8.

Section 2. Eligibility for Federal Consolidation Loan Made by the Corporation. An individual shall be eligible to borrow a federal consolidation loan from the corporation if, at the time of application:

- (1) The applicant:
  - (a) Is an eligible borrower with eligible student loans outstanding;
  - (b) Has no other application pending with any other lender for a federal consolidation loan;
  - (c) Supplies the names, addresses and telephone numbers of a minimum of two (2) verifiable personal references;
  - (d) Agrees to payment arrangements that are satisfactory to a guarantee agency, if the appli-

cant is consolidating defaulted loans;

(e) Agrees to notify the holder of the loan of any changes in address; and

(f) Certifies that the corporation holds an outstanding eligible student loan of the borrower that is being consolidated or that the borrower has unsuccessfully sought a federal consolidation loan from the holders of the outstanding eligible student loans and was unable to secure a federal consolidation loan from the holder; and

(2) The federal consolidation loan is determined eligible for insurance by the Kentucky Higher Education Assistance Authority or another guarantee agency of the corporation's choice.

Section 3. Eligibility for a FFELP Loan Other than Federal Consolidation Loans. An individual shall be eligible to borrow a FFELP loan, other than a federal consolidation loan, if, at the time of application, the applicant:

(1)(a) Is an undergraduate student who:

1. Is seeking a Robert T. Stafford loan for the cost of attendance at a school that participates in the Pell Grant Program; and

2. Has received a final determination; or

(b) Is a student who:

1. Has filed an application with the school for a Pell Grant;

2. Has received a preliminary determination from the school of the student's eligibility or ineligibility for a Pell Grant; and

3. If eligible, has applied for the period of enrollment for which the loan is sought;

(2) Is a borrower whose previous FFELP loan was cancelled due to total and permanent disability and the applicant:

(a) Provides reaffirmation of the loan amount that previously was canceled due to the borrower's total and permanent disability or that was written off;

(b) Obtains a certification from a physician that the borrower's condition has improved and that the borrower is able to engage in substantial gainful activity; and

(c) Signs a statement acknowledging that any new FFELP loan the borrower receives cannot be cancelled in the future on the basis of any present impairment, unless that condition substantially deteriorates;

(3) Is not serving in a medical internship or residency program, except for an internship in dentistry;

(4) Is a resident of Kentucky or is in attendance at a Kentucky institution of higher education;

(5) Is an eligible student or a parent borrowing on behalf of an eligible student as specified in Section 4 of this administrative regulation;

(6) Submits either the Federal Consolidation Loan Application and Promissory Note or the Application and Promissory Note for Federal PLUS Loan, whichever is applicable, fully completed and signed by the borrower;

(7) For purposes of borrowing a federal PLUS Loan, is determined by the corporation to:

(a) Not have an adverse credit history; or

(b) Have an adverse credit history if the applicant either:

1. Demonstrates to the satisfaction of the corporation that extenuating circumstances exist that excuse or correct the adverse credit history; or

2. Obtains an endorser who is determined by the corporation to not have an adverse credit history; and

(8) Is determined to be eligible for loan insurance by the Kentucky Higher Education Assistance Authority or another guarantee agency of the corporation's choice.

Section 4. Student Eligibility. The eligibility of a student for purposes of obtaining a FFELP loan

shall be governed by 34 C.F.R. 668.32 to 668.35.

Section 5. Request for Redetermination of Eligibility. (1) Upon a determination by the corporation that the loan will not be made on the basis of an adverse credit history, the applicant or any prospective endorser declined due to an adverse credit history may submit a written request for redetermination of eligibility to the corporation within thirty (30) calendar days after the date of the denial notice provided by the corporation. The applicant or prospective endorser shall submit with the request documentation to demonstrate to the satisfaction of the corporation that:

(a) The credit report or other information relied upon by the corporation is erroneous or outdated;

(b) Extenuating circumstances beyond the control of the individual contributed materially to the adverse credit history; or

(c) The individual has made a substantial good faith effort to resolve past delinquencies, including payment arrangements satisfactory to a guarantee agency on any defaulted insured student loan.

(2) The corporation shall, upon timely submission of all documentation, notify the applicant and any prospective endorser in writing of the final decision on whether it will make the desired loan.

Section 6. Incorporation by Reference. (1) The following material is incorporated by reference:

(a) Federal Consolidation Loan Application and Promissory Note, OMB No. 1845-0036; and

(b) Application and Promissory Note for Federal PLUS Loan, OMB No. 1845-0009.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Kentucky Higher Education Student Loan Corporation, 10180 Linn Station Road, Suite C200, Louisville, Kentucky 40223, Monday through Friday, 8 a.m. to 4:30 p.m. (22 Ky.R. 125; Am. 587; eff. 9-7-95; 30 Ky.R. 368; 841; eff. 10-31-2003.)